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**ANNUAL AUDITED REPORT  
 FORM X-17A-5  
 PART III**

SEC FILE NUMBER  
 8-046992

46992

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
 Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/2003 AND ENDING 12/31/2003  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: GATEWAY FINANCIAL AGENCY CORP  
ORATION  
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
HC 79 Box 640

OFFICIAL USE ONLY  
 FIRM I.D. NO.

RECEIVED  
 PROCESSING SECTION

OXFORD AR 72565 FEB 27 2004  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
SUSAN NECLAE 870 258 3066  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

HIGGINBOTHAM AND Co.

(Name - if individual, state last, first, middle name)

150 S. MAIN ST. SUITE 1 LABELLE FL 33935  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED  
 MAR 25 2004

**FOR OFFICIAL USE ONLY**  
 THOMSON FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (08-02)

Potential persons who are to respond to the collection of  
 information contained in this form are not required to respond  
 unless the form displays a currently valid OMB control number.

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OATH OR AFFIRMATION

I, ILIE NECLAE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GATEWAY FINANCIAL AGENCY CORPORATION, as of DECEMBER 31, 20 03, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE



Carol A. Partain  
MY COMMISSION # DD006709 EXPIRES  
April 7, 2005  
BONDED THRU TROY FAIN INSURANCE, INC.

[Signature]  
Signature  
PRESIDENT  
Title

[Signature]  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**GATEWAY FINANCIAL AGENCY  
CORPORATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

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# Higginbotham and Company

*Certified Public Accountants*

To The Board of Directors  
Gateway Financial Agency Corporation  
Oxford, Arkansas

We have audited the accompanying balance sheet of Gateway Financial Agency Corporation as of December 31, 2003 and the related Statement of Income and Retained Earnings and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Gateway Financial Agency Corporation as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.



Higginbotham & Company, PA,  
Certified Public Accountants

February 16, 2004

## GATEWAY FINANCIAL AGENCY CORPORATION

BALANCE SHEET  
DECEMBER 31, 2003

## ASSETS

## Current Assets

Cash		\$ 23,025
Commissions Receivable		26,852
Prepaid Expenses		<u>2,919</u>
Total Current Assets		52,796

## Other Assets

Organization Costs	\$ 204	
Accumulated Amortization	<u>(204)</u>	
Total Other Assets		<u>- 0 -</u>

Total Assets		\$ <u>52,796</u>
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## LIABILITIES AND STOCKHOLDERS' EQUITY

## Current Liabilities

Commissions Payable		\$ 24,167
License Fees Payable		895
Payroll Taxes Payable		<u>56</u>
Total Current Liabilities		25,118

## Stockholders' Equity

Common Stock, 1500 Shares		
Authorized, 200 Shares, No Par Value	\$ 7,282	
Additional paid-in capital	2,809	
Retained Earnings	<u>17,587</u>	
Total Stockholders' Equity		<u>27,678</u>
Total Liabilities and Stockholders' Equity		\$ <u>52,796</u>

Read Independent Auditor's Report and  
Notes to Financial Statements

**GATEWAY FINANCIAL AGENCY CORPORATION**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Revenue</b>	
Commissions From Securities Sales	\$ 133,105
License, Processing Fees	<u>3,137</u>
Total Income	136,242
Commissions Paid to Agents	<u>112,864</u>
Gross Profit	23,378
<b>Operating Expenses</b>	
General and Administrative	<u>23,407</u>
Loss From Operations	(29)
<b>Other Income</b>	
Interest Income	<u>65</u>
Net Income	36
<b>Retained Earnings</b>	
Balance, January 1, 2003	<u>17,551</u>
Balance, December 31, 2003	\$ <u>17,587</u>

**Read Independent Auditor's Report and  
Notes to Financial Statements**

**GATEWAY FINANCIAL AGENCY CORPORATION**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**DECEMBER 31, 2003**

	Common <u>Stock</u>	Additional Paid-In <u>Capital</u>	Retained <u>Earnings</u>	Total Stockholders' <u>Equity</u>
Balance, December 31, 2002	\$ 7,282	\$ 2,809	\$ 17,551	\$ 27,642
2003 Net Income	-	-	36	36
Balance, December 31, 2003	<u>\$ 7,282</u>	<u>\$ 2,809</u>	<u>\$ 17,587</u>	<u>\$ 27,678</u>

**Read Independent Auditor's Report and  
Notes to Financial Statements**

**GATEWAY FINANCIAL AGENCY CORPORATION**  
**STATEMENT OF CASH FLOWS – INDIRECT METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**Operations:**

Net Income \$ 36

**Adjustments:**

Increase in Commissions Receivable	\$ (26,161)
Decrease in Prepaid Expense	837
Increase in Commissions Payable	23,511
Increase in License Fees Pay	<u>785</u>

Total Adjustments (1,028)

Cash Used by Operations (992)

Cash at January 1, 2003 24,017

Cash at December 31, 2003 \$ 23,025

**Read Independent Auditor's Report and  
Notes to Financial Statements**

**GATEWAY FINANCIAL AGENCY CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**Note 1 – Nature of Business and Summary of Significant Accounting Policies**

**Nature of Business**

Gateway Financial Agency Corporation (“The Company”) operates a Broker/Dealer Securities Agency. Commissions are earned by selling securities to clients.

**Income Taxes**

The Company has elected to be taxed as an “S” Corporation whereby the individual stockholders are taxed on their share of the Company’s taxable income. Therefore, no provisions of income taxes or credits are included on these financial statements.

**Organizational Costs**

Organizational costs are amortized over a sixty (60) month period.

**Note 2 – Net Capital Requirement**

Under NASD requirement 15c3-1, The Company has maintained seven thousand five hundred twenty five dollars (\$7,525) in a separate account at Big Lake National Bank in fulfillment of the net capital requirement. As of December 31, 2003 the net capital of the Company is twenty four thousand seven hundred fifty nine dollars (\$24,759) which is nineteen thousand seven hundred fifty nine dollars (\$19,759) in excess of it’s required net capital of five thousand dollars (\$5,000).

The net capital of the Company is calculated as follows:

**Assets**

Cash in Bank	\$ 23,025
Commission Receivable	26,852
Prepaid Expense	<u>2,919</u>
Total Assets	52,796
Less: Total Liabilities	<u>25,118</u>
Total Net Worth	27,678
Less: Deduction for Non-Liquid Assets	<u>2,919</u>
Total Net Capital	24,759
Net Capital Requirement	<u>(5,000)</u>
Capital In Excess of Net Capital Requirement	\$ <u>19,759</u>

**Liabilities**

Total Aggregate Indebtedness	\$ 25,118
Percentage of Aggregate Indebtedness to Net Capital	101%

**Read Independent Auditor’s Report**

**GATEWAY FINANCIAL AGENCY CORPORATION**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2003**

(Continued)

**Note 3 – Additional Requirements**

The Company submitted a Net Capital calculation, computation of aggregate indebtedness and the ratio of aggregate indebtedness to Net Capital, with the 2003 Focus Report. There is no material difference between the audited computation and the un-audited computation that was filed on Part II A of that report.

The Company operates under an exemption (k)(1) of Sec Rule 15c3-3 resource requirements.

**Note 4 – Related Party Transactions**

The Company's owners provide office space to the corporation at no charge.

Included in The Company are the following amounts that have been paid to related parties.

Commission to agents paid to owner	\$ 58,581
Salary included in general and Administration expense paid to owner	11,500

**Note 5 – Subordinated Liabilities**

The Company has no liabilities subordinated to general creditors during the current or prior years.

**Read Independent Auditors Report**